197—11.2(534) Description.

11.2(1) An adjustable mortgage loan is a loan that permits adjustment of the interest rate. Adjustments to the interest rate may be implemented through changes in the payment amount, the outstanding principal loan balance, or the loan term, including any combination thereof.

11.2(2) The total term of any loan shall not exceed 40 years.

11.2(3) Adjustments to a loan granted pursuant to these rules shall reflect the movement of one of the indices authorized under subrule 11.3(3).

11.2(4) Adjustments to the principal loan balance are permissible only if the initial payment amount is sufficient to fully amortize the loan and if the payment amount is adjusted at least every five years to a level sufficient to amortize the loan at the then-existing interest rate and principal balance over the remaining term of the loan.

11.2(5) Loans granted pursuant to these rules are subject to other loan limitations as provided under Iowa Code section 534.21. However, if a loan had a permissible loan-to-value ratio when it was originally granted, it will be assumed to continue to meet those requirements throughout the term of the loan.

11.2(6) Prepayment in full or in part of the outstanding principal loan balance may be made as provided in Iowa Code section 534.21(10).

11.2(7) An association which has granted an adjustable mortgage loan shall obtain and retain in the loan application file a certification signed by the prospective borrower indicating that the borrower has received the disclosure materials specified in these rules before electing to take the adjustable mortgage loan.

11.2(8) For the purposes of these rules it is the intent that adjustments to the various loan terms shall not interrupt the underlying security interest of the lender. The lien on the security property shall continue in place until the debt is fully retired.